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**Before the International Trade Commission
On the Petition for the Imposition of Antidumping Duties
Against Metal Calendar Slides from Japan**

June 22, 2006

**Testimony of Murray B. Blumberg
Director, Stuebing Automatic Machine Co.**

I appreciate the opportunity to appear before you today to testify on behalf of Stuebing Automatic Machine Co., the sole domestic manufacturer of metal calendar slides. I am a Director of Stuebing and have been involved in the metal calendar slide business for 32 years. I have first hand knowledge of many of the critical facts that are before this Commission which clearly demonstrate that Stuebing is suffering crippling financial injury, and that such injury has been caused, and continues to be caused, by imports of metal calendar slides from Japan.

1. Injury to the Domestic Industry.

As a Director of, and investor in, Stuebing, I have personally witnessed and felt the dramatic financial injury that Stuebing has experienced since metal calendar slides started to be imported into the United States, in 2003. The Commission need look no further than Stuebing's audited financial statements to see the injury that Stuebing has suffered.

The actual figures are set forth in Paragraph 3 of my Declaration, and in Exhibits 1, 2 and 3 to that document. Without going into confidential business information, these numbers show that Stuebing went from a respectable positive six figures in 2002 – the

last year before Japanese imports entered the U.S. market – to a lesser but still decent figure for 2003, before dropping off to less than six figures in 2004, and then ripening into a considerable loss by 2005. Under no stretch of the imagination can it be said that Stuebing has not suffered financial injury.

It is equally clear that the cause of Stuebing's financial injury is the imports of metal calendar slides from Japan. There is a direct correlation between Stuebing's financial downfall and the appearance of the Japanese imports into the U.S. market. As a direct result of Nishiyama selling its slides in the U.S. market, Stuebing's domestic shipments and market share spiraled downward and remain at levels that are much smaller than where they were in 2002.

Stuebing also has been forced to lay off a substantial number of workers in the United States in connection with its metal calendar slide operations. Specifically, between 2002 and 2004, the number of workers in the domestic industry decreased by over 20 percent. The reduction in 2005 was even more dramatic, resulting in a decrease of over 60 percent of our employees from 2002.

These layoffs were in connection with our need to transfer machines that manufacture calendar slides to Stuebing's sister company in Mexico. In 2004, we began to set up this lower cost manufacturing facility in Mexico. By the end of last year, Stuebing moved over 50% of its machines that produce metal calendar slides to this facility overseas in an attempt to compete against the unfair imports from Japan.

Also, in 2004, Petitioner moved its U.S. operations to smaller premises in Cincinnati, Ohio. As a result, Stuebing has slightly more than ten employees working in this smaller domestic facility that it rents. This production facility is about five times

smaller than the larger production facility owned by Stuebing's affiliate before the domestic industry was decimated by these less-than-fair-value imports from Japan.

Today I shall address the various misstatements and mischaracterizations that the respondents Nishiyama and Norwood Promotional Products have made in their misguided and cynical effort to deprive Stuebing of the protection it seeks from the U.S. antidumping law. I am confident that the truth will come out and that it will lead the Commission to reach the appropriate result here, which is unquestionably that there is injury to the domestic industry by reason of the Japanese imports.

2. The Shift of Significant Slide Production to Mexico

It is the height of irony for respondents to assert that Stuebing's financial injury has been caused not by imported slides from Japan but, rather, from Stuebing's decision to shift a significant portion of its slide production to Mexico. I can assure you that Stuebing is not before you today because we made some unrelated decision to shift a significant portion of our production of metal calendar slides from Cincinnati to Mexico. Stuebing has produced metal calendar slides in Cincinnati for more than 100 years. It has always been our intention and hope to continue to be the primary U.S. producer of metal calendar slides. Before the commencement of the low-priced Japanese imports we never considered moving production outside of the United States. We first considered moving machines to Mexico as a direct reaction to our experience in losing our largest customer, Norwood, to low-priced Japanese slides.

It is very exasperating to hear Norwood's counsel claim that Stuebing has no contemporaneous written evidence that it decided to move machines to Mexico as a result of the Japanese imports. I would direct his attention, and that of the Commission,

to Exhibits 17 and 18 to my Declaration. The first Exhibit is a long memo I sent to Stuebing's accountant on June 10, 2004 to help us consider several options, including a potential move to Mexico, expressly because of the competition we were facing from the Japanese imports. It is no coincidence that this memo was sent one day after Stuebing submitted a revised tender to Norwood which offered to meet the cut-rate prices that Norwood was paying to Nishiyama for Japanese slides. I refer the Commission to Exhibit 9 to my Declaration. The second Exhibit -- Number 18 -- is called "Survival Plan." I sent this one week after my June 10 memorandum to the accountant. This memorandum once again specifically mentions the possibility of competing with the Japanese imports by moving some of the machines to Mexico.

In the face of this contemporaneous written evidence of the direct linkage between the Japanese imports and our consideration of moving slide making machines to Mexico it is entirely improper for the respondents, out of desperation or otherwise, to argue that no connection exists.

I also can assure the Commission that the slide producing operation that remains in Cincinnati is not only for show, as respondents cynically maintain. Only approximately fourteen percent of Stuebing's U.S. sales are sourced from the Mexican operation. The remaining vast majority of U.S. slide shipments are slides produced at the Cincinnati plant. Our Ohio operation has been badly bruised and is in desperate need of protection from the antidumping laws. But it is still standing and with the assistance of this Commission, will remain so. Moreover, once we have antidumping relief in place we plan to move back a considerable number of slide producing machines to Ohio.

3. Stuebing Slides are of High Quality and Fully Comparable to and Competitive with Japanese Slides.

Both Norwood and Nishiyama have gone to great lengths to try to portray Stuebing's metal calendar slides as inferior to their Japanese counterpart. However, this assertion is directly contradicted by both the hard evidence before the Commission and common sense. Norwood is the largest producer of promotional calendars in the United States. It is the result of a roll up in the calendar industry, and represents the merging of several calendar producing companies. Before Norwood started to import slides from Japan it hired Paul Smyth to assist it in becoming an even more hard-nosed competitor in the calendar business. A primary goal of Mr. Smyth was to make more money for Norwood by spending less money on the components used to manufacture calendars, including the slides. Indeed, on repeated occasions Mr. Smyth told me that Norwood favored Japanese slides because of their very low prices.

Stuebing is not some start-up company that was hurt in the market because it could not compete on quality with one or more established industry stalwarts. To the contrary, Stuebing has been in the slide business for more than a century, and has been a leader in technical improvements in how slides are manufactured. For decades Stuebing enjoyed a terrific customer relationship with Norwood and its predecessors. Stuebing supplied metal calendar slides to Norwood for all those years without any significant quality issues ever arising. Minor issues that arose from time to time were quickly resolved by Stuebing. When 2003 opened we assumed that based on the long positive relationship between the two companies, and the experiences we had to date, that Norwood would continue to remain our largest customer. We even received from Norwood the customary large blanket order at the beginning of the year.

The Commission has before it the Declaration of Ronald P. Anderson. Mr. Anderson was at Norwood for years. His Declaration is a testament to the strong relationship that existed between our two companies. A confirming piece of evidence from another former Norwood official is provided at Exhibit 14 to my Declaration.

Stuebing's quality did not change. What did change was that Norwood decided that it might have a competitive advantage over its competitors in the United States if it could find a cheap source of calendar slides.

Exhibit 4 to my Declaration is the undated fax from Paul Smyth which out of the blue canceled the blanket orders that Norwood had placed earlier in 2003 for slides from Stuebing. The response by Mr. Gavronsky, dated September 9, 2003, is Exhibit 5 to my Declaration. In the context of what Norwood was doing at that time it is obvious to me that Norwood was trying to justify its cancellation of the blanket order by trumping up quality allegations that did not actually reflect the facts or the relationship between the two companies.

Over the years, Stuebing has supplied millions of slides to Norwood. Issues have arisen from time to time. On rare occasions a slide may not be shipped in perfect condition, or the softness of the metal may have slightly changed or things to that effect. When these issues arose – and they were extremely rare – Stuebing addressed them. We sent our technicians out to Norwood and engaged in a professional dialogue with them. When Norwood wanted softer metal, we gave it to them. Now, in the context of their canceling the blanket order in favor of the low priced Japanese slides, and in this antidumping case, Norwood tries to paint that activity as exhibiting a lack of good quality on the part of Stuebing slides. Our technicians noted that some of the problems

experienced by Norwood appear to have been caused by using worn-out tinning machines. Norwood tries to blame Stuebing for making this observation but we learned from Piers import data that Norwood imported new tinning machines from Japan. So obviously they ultimately agreed with our recommendation.

Except for Norwood, all of our U.S. customers prefer slides that have plastic eyelets. We have found it is more convenient for calendar owners to hang the calendars by using the plastic eyelets. However, integral eyelet slides were not new to Stuebing. To the contrary, we invented such slides years ago. In any event, once we were told by Norwood that they wanted to shift to integral eyelet slides, we set to work to perfect a product for Norwood, and that is actually what we delivered.

My March 2004 Stuebing had developed a counterpart to the Japanese integral-eyelet slide that was as good as the Japanese slide, if not superior, in every possible way. A significant portion of my Declaration details what occurred in March 2004 when I and Mr. Gavronsky and Bill Piernan traveled to Sleepy Eye, Minnesota to give Norwood a first-hand demonstration of the quality of the integral eyelet slides from Stuebing. This demonstration lasted hours and resulted in unanimous agreement among the Norwood personnel in attendance that the Stuebing slides achieved 100% of the productivity and runability that Norwood wanted by March 2004.

The allegation by Norwood that "They ran a few samples... which remarkably demonstrated no immediate problem" is a blatant mischaracterization. Norwood's operators ran over 11,000 slides over a period of several hours, during which there were no problems at all.

We brought with us six wooden boxes of slides. Two of the boxes contained 4,000 17" integral hanger slides, two boxes contained 4,000 18" integral hanger slides, and the remaining two boxes contained approximately 3,000 each of a slightly different specification (3/4" width) and having an integral eyelet of a slightly different style (a large triangular eyelet). The length of these slides with the integral eyelet varied between the 17" and 18" length.

On arrival at Norwood we were met by Mr. Smyth and Norwood's Shelley Shoen, who escorted us to the calendar manufacturing department, and introduced us to two of their production workers, John Lang and Marlin Tower. We witnessed two of Norwood's machines manufacturing calendars with Japanese slides, sizes 17" and 18" in length. Norwood's staff carefully examined our slides and compared them to the Nishiyama slides. The Norwood employees unanimously agreed that Stuebing slides were equal to Nishiyama slides in all material respects, including the radii and angle of the bends, the width of the slides, material thickness, and hangers.

Norwood then halted production of calendars with Japanese slides and loaded the Stuebing slides into the hoppers of both machines. We then observed Norwood's calendars being tinned with Stuebing slides. This production ran flawlessly. We continued to observe the tinning process for several hours, until most of the Stuebing slides were used up.

This demonstration was witnessed by myself, Allan Gavronsky, Bill Piernan (all from Stuebing), and from Norwood: Shelley Shoen, two production maintenance people, four of Norwood's tinning machine operators plus an older man who recently had been hired by Norwood (but who subsequently left that company) and intermittently by Paul

Smyth (who recently had undergone eye surgery), and Kevin Haala, a quality control supervisor.

At times during the demonstration, small stacks of the Stuebing slides were intermingled with the Japanese slides. This process of mixing the slides occurred without stopping the automatic machines, or making adjustments to them. Stuebing slides continued to run without any problems whatsoever. During the course of the demonstration, various Norwood employees (including the machine operators, the two production maintenance people, and Shelley Shoen) agreed that the Stuebing slides ran perfectly.

Following the demonstration, we were invited to a meeting chaired by Paul Smyth, and attended by other Norwood personnel, including Shelley Shoen and the older gentleman referenced above. At one point the senior machine operator was invited to join the meeting. During this meeting all Norwood personnel agreed that the Stuebing slides ran perfectly. In fact, the senior operator remarked that in some instances the calendars tinned with Stuebing slides had "stacked better" than the calendars tinned with Japanese slides.

A further positive observation made by one of Norwood's staff was that those slides that we had provided with the larger triangular eyelets presented a more accessible hole in the slide for hanging than was the case with the Japanese slides. In the case of the Japanese slides the eyelet was partly folded over and obscured, thus rendering the calendar not useable for hanging on a hook.

Later that same morning, we were told again by Norwood at its offices that the imported Japanese metal calendar slides were much less expensive than the domestic

slides being produced and sold to them by Stuebing. Furthermore, they told us that these Japanese slides were less expensive despite the fact that the shipping costs added 40% to the FOB price of the Japanese product. This statement was very surprising to me given the numerous considerable additional freight and related costs involved in importing these products from Japan – all of which must be considered to determine the true costs of shipping these products to Norwood via container from Japan. However, I was still left with the impression that if the prices were the same, the business would go to Stuebing.

It was extremely gratifying to me that all the work we had done to create the Japanese specification slide had paid off, when the Norwood personnel unanimously agreed that the Stuebing slides had run just as well as the Nishiyama slides. I left Norwood believing that Stuebing would be supplying a significant volume of Norwood's slide business.

In May 2004, Norwood informed us in writing that the Japanese specification slide produced by Stuebing was acceptable and equal to the imported slide. Norwood concluded that "Runnability is the same" between the imported and Stuebing slides, but that the "Box weight" of the Stuebing slide was superior, and that "Stuebing calendars stack better."

Norwood also asked us to submit a re-tender, but after advising us that the Japanese prices were especially low. It's a very logical yet important question to ask: If Norwood was not completely satisfied with the quality and runnability of the new Stuebing integral eye slide, why did it ask us to re-tender prices in June 2004? Norwood's key objective was lower price. I feel sure that had Stuebing agreed to supply

slides below the already cut-rate prices offered by Nishiyama, we would have won back a significant portion of the business. But at a cost that would have been disastrous.

I categorically reject the claim by Norwood that Japanese slides do not compete with Stuebing slides in the U.S. market. This is a ridiculous argument – the petitioner used to sell all of Norwood's requirements of metal calendar slides to Norwood for decades and Norwood together with the competitors it had swallowed up, constitutes the "giant" of the U.S. calendar market, accounting for 1/3 of the entire industry. Norwood's purchases of metal calendar slides is now equal to $\pm 50\%$ of the petitioner's remaining U.S. market.

Norwood asserts that its competing calendar purchasers in the United States lack information regarding foreign sources of metal calendar slides. Has it occurred to Norwood's counsel that the entire rest of the United States market is completely happy with the product and services it sources from the petitioner? – as was Norwood, for decades, until the advent of the lost-price imports from Japan.

The Commission should not accept the contention that Norwood would not consider purchasing slides from Stuebing because of a "strained relationship with Stuebing." Norwood will say what it wants now to try to prevent the antidumping order from going into effect, but beyond that – business is business. Stuebing supplied Norwood for decades. One of the prime Norwood employees responsible for switching from Stuebing slides to Nishiyama slides – Paul Smyth – is no longer with the company. We feel confident that ultimately the strong relationship that existed between these two companies can be resurrected, once the imports are fairly priced. We always had a very positive relationship with Paul Smyth's predecessors, Ron Anderson and Ron

Schmidt – see also Ron Anderson's declaration relating to Norwood's satisfaction over decades with our quality and generally with us as a supplier.

With regard to some of the specific quality complaints that Norwood has raised, let me state as follows:

"Softer Steel" not true: the U.S. steel mills no longer run the T2 temper – it is not readily available and we do not use it anymore (even though we would like to, because many users prefer it).

"Sharp Corners" – presumably this is meant to refer to the right angled corners which satisfied Norwood in the use of over 200,000,000 slides for more than 20 years – see declaration of Ron Anderson: never a single complaint in 30 years about right angled corners from Norwood or anyone else.

"Inconsistent lengths". This untrue statement demonstrates a lack of understanding of the process in manufacturing MCS: the length of the slide is determined by a slitting operation, whereby sheets of steel are slit to a particular width equal to the length of the slide; once the slitting heads have been set, they do not move backwards and forwards which is the only way that "inconsistent lengths" could be caused.

"Rough Edges" "Capable of scratching other slides" and damaging calendars. Our slides are processed, as mentioned previously, through strict quality control procedures and our edges are not rough – Norwood to the best of my knowledge have never complained about rough edges, or the theoretical results mentioned above.

The allegation about misfeeds of our "Japanese specification" slides is a complete fabrication.

Stuebing supplied \pm 2,000,00 of our Japanese spec slides to Norwood, which they ran with not a single return and with no real problems.

The bottom line is that 96%-97% of even the old (plastic eyelet attached) specification slides we supplied to Norwood were satisfactory, and we offered to and did replace the 3-4% slides which they rejected without question. Incidentally we resold most if not all of the "rejected" slides returned by Norwood, without problems, to other users!

Of course, the Commission should discount complaints raised by Norwood for products shipped after the antidumping case was filed.

The only non-material respect in which Stuebing's "new" slide differed from the Japanese slide, was that the corners were not rounded. In this regard, Norwood accepted this variation, and rightly so, because the only perceived advantage of rounding the corners is that operators in the calendar assembly factory are less likely to cut their fingers on right angled corners, however, we have never received a complaint from Norwood or any other customer of operators cutting their fingers on the corners. Moreover, once the calendar is "tinned" i.e., the side is attached to the calendar, the advantage of rounded corners disappears. Therefore the advantage of rounded corners, if any, is a temporary one: it can never be an advantage to end users of the calendar.

The only other difference between Nishiyama's slide and our "new" slide is that Nishiyama turns the burr on the edge of the slide to the inside. Again, once the slide is attached to the calendar, any possibility of the user cutting their fingers on virtually imperceptible burr which is flat against the back sheet of the calendar, is in reality non-

existent. Again we have never had a complaint about anyone (operators at calendar assembly plants or end users) cutting themselves on a burr on the long edge of a calendar slide, at the back of the calendar. We keep our knives sharp and such burrs are kept to reasonable limits. Furthermore a calendar slide is not a product that is "used" i.e. once the calendar is displayed on the wall it is not handled – unlike other products e.g. metal file fasteners where users continuously move their fingers up and down along the edges of such file fasteners or paper fasteners.

Metal calendar slides are the same product, made from the same materials, in fundamentally the same manner, and are used for exactly the same purpose, in the identical binding or "tinning" machines, and sold through the same supply chains. The only difference is the choice of eyelet – this doesn't turn the duck into a horse. I remind the ITC that Stuebing made integral hanger MCS long before Nishiyama came into existence – the integral hanger slide was a forerunner to the eyelet attached slide, and it is a simpler, more primitive product than an eyelet attached slide.

However, even if my above statement were hypothetically incorrect, the Japanese type integral hanger slide which the petitioner duplicated for Norwood, (with Norwood's blessing and encouragement) is identical to all intents and purposes, with the Nishiyama metal calendar slides.

The complaint from Norwood about Stuebing switching to a softer metal is highly ironic. Norwood requested us to use a softer tin, and we had to go to great lengths and trouble to source the softer tin, which by 2003 had become very scarce!

Much is made of the use by Stuebing of "soft" material. This softer material was always regarded as the most desirable material by Stuebing and most of its customers,

including Norwood. However this soft material has become increasingly difficult to come by during the period of investigation – there has however not been a problem securing the harder "double reduced" material in the U.S.A. during the POI or now.

Both Stuebing and Nishiyama stated at the preliminary hearing that we are dependant on sourcing our steel requirements as this arises from available sources. Neither Nishiyama nor Stuebing can afford to place orders for prime material with steel mills – if that was the case Stuebing's prices for its metal calendar slides would be double the existing prices and Nishiyama's prices would be 4 times their existing prices. Both Stuebing and Nishiyama gave evidence that there is a range of material within certain defined parameters, namely thickness, temper etc which are acceptable to manufacture MCS and one does not have control over the exact specifications of material that "arises" or becomes available from time to time.

Nishiyama acknowledged at the preliminary hearing that they are also dependant on the availability of material within range of thicknesses and tempers – they do not make slides to a particular specification (of material and tempers) specified by customers. If that was not the case, why do Nishiyama order a preferred exact thickness e.g. 70# only and one specification of temper or hardness e.g. T3? (as opposed to a range of material thicknesses and tempers).

I also must question the claim that Norwood has never had any problem with calendar slides produced by Nishiyama. When I visited Norwood in March 2004, Paul Smyth, in the presence of Shelley Shoen, acknowledged that Norwood had had problems with what he called "Vendor B's slides."

4. The Impact of Low Prices from Japan.

It is not true, as Norwood claims, that there is no connection between the prices of Japanese slides and the prices of Stuebing's slides. If price was not important, why would Norwood buy product equal in all respects to Nishiyama's product at a higher price than what they are paying to Nishiyama. The answer is clearly that they would not. Why did Paul Smyth and Shoen make so much about the lower priced Japanese product? Why did they tell Stuebing what prices Stuebing was up against? Why did they invite Stuebing to re-tender at lower prices? Because of the low prices of Japanese slides, Norwood effectively pressured Stuebing to re-tender its slides at lower prices, which were at the level that we were told by Norwood was necessary to match the Japanese pricing.

More importantly, we have not been able to raise our slide prices to our primary customers for 3 years for the majority of slides we sell because of our concern that Nishiyama – either directly or indirectly through Norwood – will take those customers away as well. A confidential list of those customers was provided in Exhibit 23 to my Declaration. Under normal circumstances – that is, were it not for the continuing threat from imported slides from Japan – we would have increased our prices to all of these customers when faced with the significant increases in the price of steel.

5. The Tinning Machines.

It is not correct, as Norwood claims, that "Stuebing calendar slide binding machines have historically use a pneumatically driven crimping mechanism." Stuebing was building cam driven machines (manually fed) before Nishiyama came into existence. Nishiyama in fact admitted to my late father that they copied the basic

principle of Stuebing's tinning machine and incorporated this into their automatic belt fed machine. It is true that Stuebing produced a range of pneumatically driven automatic machines for a period, up to the time that lighter gauge steel was freely available. Subsequently as steel in only heavier gauges has become available, Stuebing reverted to the use of cam driven machines.

The statement that "most, if not all, others are believed to have one or more pneumatically operated Stuebing "Calamatic" machines, and thus find it desirable to purchase the generally softer Stuebing calendar slides" is both fallacious and misleading – the position is actually, that most, if not all larger and medium users have one or more cam driven machines. The preference of all other users in the United States (other than Norwood) is not predicated by the binding machines they have, but instead by their preference for this type of (eyelet attached) MCS, as well as their support of a reliable U.S. manufacturer. Much as it must be amazing to Norwood, there is still such a thing as loyalty.

6. Threat from Imported Japanese Slides

Stuebing continues to believe there is a continuing serious threat of injury by reason of the imported slides from Japan. The claim by Nishiyama that it had no interest in the U.S. slide market is contradicted by the facts. On more than one occasion Nishiyama tried to get Stuebing to agree to import metal calendar slides from Japan. Indeed, one such occasion – in which Nishiyama made a proposal to me for distribution of Nishiyama slides in the United States – is referenced in my June 10, 2004 memo to the accountant, which is Exhibit 17 to my Declaration.

Indeed, on that same day – June 10, 2004 – Mr. Nishiyama sent me a fax which stated that Nishiyama was "much interested in selling slides to EU and North American

market, and that they would produce metal slides for exporting to the

States and EU in future under a good partnership." Their fax also requested our help because, according to Nishiyama, Japanese slides had "been partly accepted in the States market since last year, but" Nishiyama did "not believe" that their slides were yet popular in the U.S. or fully accepted. They also proposed "to push sales of Japanese slides in the States or EU markets."

Even if Nishiyama is only dealing directly with Norwood, as it claims, let's keep in mind that Norwood is trying to become even bigger. The confidential report included as an attachment to our petition, from IR, explained how Nishiyama's production of metal calendar slides in Japan had declined from approximately 160 million slides per year to approximately one-third of that amount, as a result of the shift in demand in Japan to paper slides.

Conclusion

We are requesting antidumping relief in the best interests of our employees, our consumers and the domestic industry as a whole. We at Stuebing have made the investments needed to remain competitive if there is a level playing field. However, unless tariffs are imposed, this industry, its employees and its American consumers will not survive in the long term. The petition in this case simply seeks a level playing field with respect to imports from Japan.

Hence, I respectfully request that the International Trade Commission enter a finding that there has been, and that there is a threat of, material injury to our domestic industry by means of dumped imports from Japan so that we can get on with the

business of producing metal calendar slides for the domestic industry. I would be pleased to respond to any questions you might have. Thank you.